

SIU



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AFFILIATED WITH THE SEAFARERS INTERNATIONAL UNION OF NORTH AMERICA • AFL-CIO

SEAFARERS INTERNATIONAL UNION ATLANTIC • GULF • LAKES AND INLAND WATERS DISTRICT NATIONAL MARITIME UNION

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May 4, 2004

Docket Management Facility
U.S. Department of Transportation
400 Seventh Street, S.W., Rm. PL-401
Washington, D.C. 20590

USCG - 2003-14472-36

MARAD-2003-15171-34

**RE: Vessel Documentation: Lease Financing for
Vessels Engaged in the Coastwise Trade -- Docket
USCG-2003-14472 and MARAD-2003-15171**

Dear Sir/Madam:

The Seafarers International Union, Atlantic, Gulf, Lakes and Inland Waters District/NMU (SIU), AFL-CIO, representing thousands of American merchant mariners employed on U.S.-flag vessels in the domestic and international waterborne trades, is pleased to comment on the joint proposed rulemaking, *Vessel Documentation: Lease Financing for Vessels Engaged in the Coastwise Trade (USCG-2003-14472) and (MARAD-2003-15171)*.

The SIU believes that the Jones Act, the subject of the joint proposed rulemaking, is the cornerstone of the American maritime policy, grounded in economic and military security and in ensuring the safety of vessels operating in U.S. waters and of those who sail on those vessels. The SIU is deeply committed to the continued and unaltered existence of this Nation's cabotage law and, therefore, takes this opportunity to submit our observations with regard to the joint proposal.

Certainly, the SIU recognizes the vital role played by investment capital in ensuring the continued growth and well-being of the domestic Jones Act fleet. Without significant capital investment, American ship owners in the coastwise trades would not be able to modernize and expand their fleets. And without such investment, American ship owners in the coastwise trade would not have the wherewithal to build the new vessels upon which such growth, and the jobs of SIU members, depend. However, the means by which such investment is made should not be a mechanism for undermining the very foundation of the Jones Act, particularly the requirements that vessels be built in the United States, operated by U.S. citizens and manned by U.S. citizen crews. Any weakening of these critically important requirements will inevitably threaten the efficacy of this important maritime statute and the domestic maritime industry as well.

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In that regard, the lease finance provision adopted by Congress in 1996 was designed to encourage beneficial foreign investment while preserving these important Jones Act principles. We commend the Coast Guard and the Maritime Administration (MARAD) for being vigilant in their oversight of the lease finance provision and for publishing the joint proposed rulemaking for public comment.

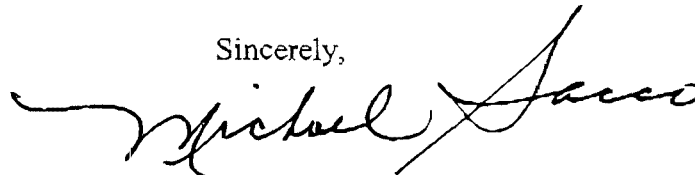
At the same time, the SIU encourages the Coast Guard and MARAD to be cautious in adopting the proposed rules. Legitimate and appropriate investments have been made by non-citizen companies relying on the lease finance provision. These investments should not be jeopardized in the effort to ensure that the lease finance provision is not abused. We urge the Coast Guard and MARAD not "to throw out the baby with the bath water."

A good example of legitimate investment on the lease finance provision is BP's financing and tanker construction program. BP has committed hundreds of millions of dollars to construct four state-of-the-art tankers at NASSCO in San Diego for the carriage of Alaska North Slope crude oil. In this commitment, and in the acquisition of existing vessels, BP has relied on its ability to own the vessels under the lease finance provision while having the vessels operated by Alaska Tanker Company and other third party vessel operators. The Coast Guard and MARAD should be cautious in adopting restrictions to time charters and to grandfather requirements to ensure that these appropriate investments are protected.

Toward that end, the SIU has had the opportunity to review BP's suggestions to the Coast Guard and MARAD with respect to the joint proposed rulemaking. We believe that those suggestions are valid and urge the Coast Guard and MARAD to adopt them.

The SIU again commends the Coast Guard and MARAD for their efforts in this joint rulemaking. The SIU supports the rulemaking process now underway as representing the best means by which to ensure that legitimate investments are protected, and the shipboard jobs they represent are preserved.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Sacco", with a stylized flourish extending from the end.

Michael Sacco
President